



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BOYLE COUNTY SHERIFF**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BOYLE COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Boyle County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The County Sheriff turned over \$147,176 to the county as excess fees for calendar year 2000. This represents an increase from the previous year of \$13,669.

Report Comments:

- Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Anthony Wilder, Boyle County Judge/Executive
Honorable Karl Luttrell, Boyle County Sheriff
Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Boyle County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Anthony Wilder, County Judge/Executive
Honorable Karl Luttrell, Boyle County Sheriff
Members of the Boyle County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2001, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following reportable condition:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 5, 2001

BOYLE COUNTY
KARL LUTTRELL, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Grants		\$	21,439
State Fees For Services:			
Finance and Administration Cabinet	\$	20,033	
Cabinet For Human Resources		680	
Conveying Convicts		<u>6,692</u>	27,405
Circuit Court Clerk:			
Sheriff Security Service	\$	13,737	
Fines and Fees Collected		8,549	
Sequester Jury		<u>306</u>	22,592
Fiscal Court			2,790
County Clerk - Delinquent Taxes			618
Commission On Taxes Collected			324,265
Fees Collected For Services:			
Auto Inspections	\$	4,525	
Accident and Police Reports		235	
Serving Papers		20,564	
Sheriff's Advertising Fees		3,147	
Tax Add-On Fees		46,690	
Fiscal Court Service Fees		3,380	
Election Commission		440	
Carrying Concealed Deadly Weapon Permits		9,800	
Mileage Fees		306	
Arrest Fees - Other Counties		<u>970</u>	90,057
Interest Earned			23,600
State Advancement			<u>129,248</u>
Gross Receipts		\$	642,014

BOYLE COUNTY
 KARL LUTTRELL, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$	227,759
Other Salaries		21,439
Contracted Services-		
Advertising		5,151
Materials and Supplies-		
Office Materials and Supplies		1,910
Uniforms		2,247
Auto Expense-		
Gasoline		13,366
Maintenance and Repairs		1,603
Other Charges-		
Conventions and Travel		1,632
Dues		977
Postage		451
Insurance		25
Bond		260
Transport Prisoners		3,894
Radio Maintenance		119
Utilities		1,153
Sequester Jury		331
Interest		12,546
Carrying Concealed Deadly Weapon Permits		6,175
Miscellaneous		222
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	\$	301,260

BOYLE COUNTY
 KARL LUTTRELL, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Capital Outlay-			
Pagers	\$	788	
Debt Service:			
State Advancement		129,248	\$ 130,036
Total Disbursements			<u>\$ 431,296</u>
Net Receipts			\$ 210,718
Less: Statutory Maximum			<u>63,542</u>
Excess Fees Due County for Calendar Year 2000			\$ 147,176
Payments to County Treasurer - May 8, 2001			<u>135,804</u>
Balance Due at Completion of Audit (Note 4)			<u><u>\$ 11,372</u></u>

The accompanying notes are an integral part of the financial statement.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Balance Due At Completion Of Audit

During the test of payroll, the auditor discovered that the Sheriff accidentally wrote one too many payroll reimbursement checks to the County out of the 2000 fee account. Since payroll is prepared every two weeks, there should have been twenty-six checks written out of the 2000 account instead of the twenty-seven checks that were actually written. The Sheriff wrote a check for \$11,371.99 on January 4, 2001 out of the 2000 fee account. According to the way the County prepares payroll, this was actually a 2001 pay period and the check should have been written out of the 2001 fee account. The Sheriff will reimburse the 2000 fee account \$11,371.99 from the 2001 fee account and then turn that amount over to the County for additional excess fees due for calendar year 2000.

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COMMENT AND RECOMMENDATION

BOYLE COUNTY
KARL LUTTRELL, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 2000

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the Lacks Adequate Segregation Of Duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend the Sheriff implement procedures to better segregate the duties of collecting, recording, and reconciling money received in his office.

Sheriff's Response:

We have hired a new clerk to help alleviate this problem.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Boyle County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated December 5, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boyle County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boyle County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett
Auditor of Public Accounts

Audit fieldwork completed -
December 5, 2001

